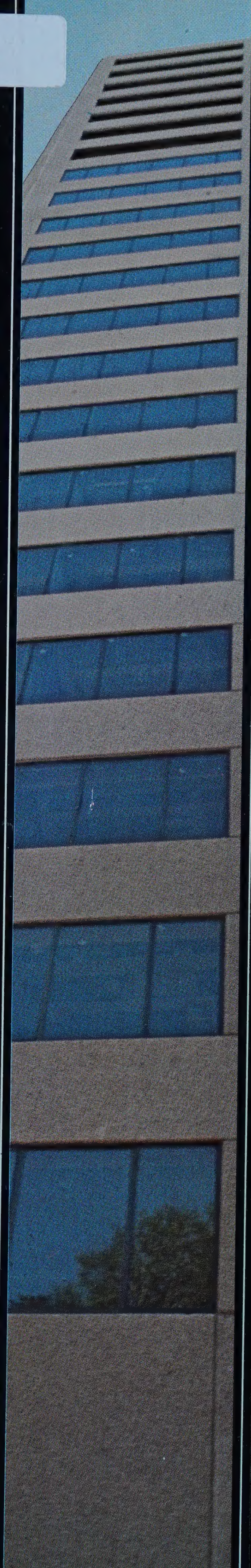

Campeau Corporation

Annual Report 1980

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Annual Meeting

The Annual Meeting of Shareholders will be held at 11 o'clock in the forenoon on Monday, the 27th day of April, 1981 in Salon B, L'Auberge de la Chaudière, 2 Rue Montcalm in the City of Hull, Quebec.

Shareholders of record at the close of business on April 23rd, 1981 will be entitled to vote at the meeting.

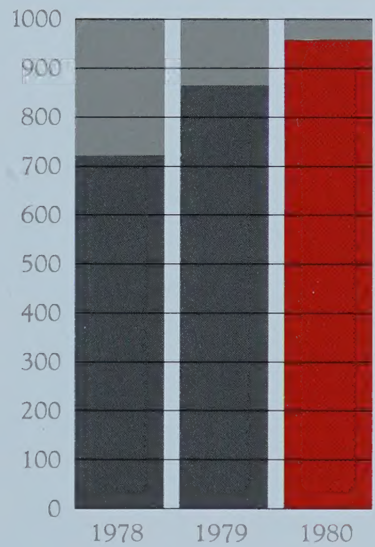
Édition française du rapport annuel

On peut se procurer l'édition française de ce rapport en écrivant au Secrétaire.

Financial Highlights

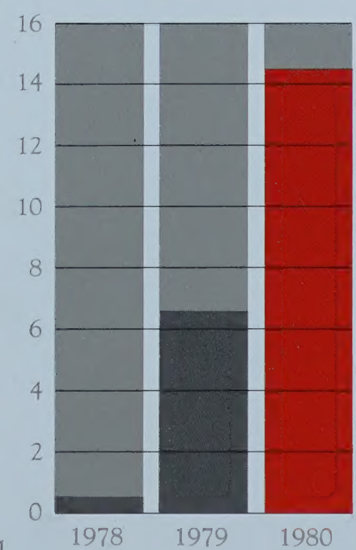
	1980	1979
Total revenues	$269,716,000	242,092,000
Earnings before extraordinary items	$ 14,527,000	4,801,000
Per share	$ 3.53	1.09
Net earnings	$ 14,527,000	6,601,000
Per share	$ 3.53	1.55
Cash flow from operations	$ 34,210,000	24,098,000
Per share	$ 8.50	6.01
Total assets	$950,297,000	866,359,000
Shareholders' equity	$ 52,978,000	39,899,000
Dividends per share	$ 0.30	0.20

Assets (in millions)

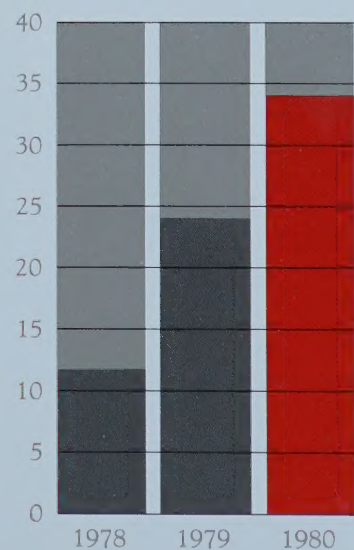


Revenues (in millions)

Earnings (in millions)



Cash Flow (in millions)



Corporate Profile

Campeau Corporation is a Canadian-owned, public corporation which ranks among North America's largest and most diversified real estate enterprises. Campeau is active in virtually all aspects of property development but concentrates on development of high quality income properties, construction and sale of luxury condominiums and large-scale land development.

As a result of an aggressive expansion and diversification program, Campeau Corporation has grown dramatically from a small Ottawa housebuilder to a billion dollar corporation. The majority of the Corporation's assets are located in Canada, but a growing proportion of new investment has been in the United States.

Strategically, the Corporation has sought to attain a more dominant position in selected growth markets rather than competing in centres all across the country. While continuing to be a major force in the traditional markets of Ottawa, Montreal and Toronto, Campeau is now solidly positioned for further growth in Alberta, Florida, Texas and California.

Business Activities

The Commercial Group is responsible for the development, construction and marketing of shopping centres, office and industrial buildings as well as managing the Corporation's substantial portfolio of rental space. This Group has established an enviable reputation for successful and cost-effective completion of large, multi-use integrated complexes.

The Residential Group is responsible for all housing activities. Historically Campeau has been a large builder of single family homes, but in recognition of changing economic conditions, the Corporation's present emphasis is on multi-family housing, particularly luxury highrise condominiums in carefully selected locations.

The Land Group has total responsibility for the acquisition, development and sale of land. Its emphasis is on large-scale projects whereby significant parcels of raw land are purchased and taken through the various planning, rezoning and servicing stages, with parcels of finished or semi-finished lots being sold to builders or contractors. The Land Group is currently responsible for an inventory of approximately 15 thousand acres.

Corporate Organization

A large, diversified company operating from coast to coast places heavy demands on the corporate organization. A sophisticated structure with significant local responsibility is essential to deal with the increasing level of business activity. However, the large scale and inherent risk of major real estate projects makes it imperative for major business decisions to reflect the consensus judgement of a senior management group.

Campeau Corporation meets these organizational requirements by having a Management Committee, comprised of the Chairman, President and two Executive Vice-Presidents, approve all major decisions. The operating groups are organized functionally, permitting highly motivated, entrepreneurial developers with significant authority to be located in all major operating centres. Additionally, a competent corporate group of professional managers maintains sophisticated financial controls and provides key support services to the operating groups.

Management Committee
Top photo:
W.J. Carroll,
R. Campeau,
R.B. McCartney,
D. King.

Canadian Operations
Middle photo, standing:
J. Van Haastrecht,
C. Cadieux, B. Chiricota.
Sitting: R. Larocque,
P. Benoit.

Corporate Services
Bottom photo (left), standing:
D. Beggs, D. Cresswell.
Sitting: R. Villemaire,
R. Chevrier, D. McMaster,
T. Walker.

U.S. Operations
Bottom photo (right), standing: C. Brown, C. McHenry,
G. Sedgwick. Sitting:
K. Cooper, L. McQuarrie,
J. Parsons.

Report to Shareholders

Harbour Square Condominiums and Harbour Castle Hotel, Toronto, Ontario.

1980 was undoubtedly the most successful and exciting year in the Corporation's history.

Financially, the Corporation achieved record levels in earnings, cash flow and total assets. In development, the Corporation significantly strengthened its position in several areas and initiated many exciting new projects. In 1980 the Corporation also gained wide publicity as a result of the extraordinary events related to its $450 million tender offer for Royal Trustco.

Financial

Despite unprecedented volatility and uncertainty in the North American economy, the Corporation continued its strong trend of improved financial performance. Net earnings increased over 1979 by 120% to $14,527,000 or $3.53 per share. Cash flow from operations reached $34,210,000 or $8.50 per share, an improvement of 42% over the previous year.

Total assets at the end of 1980 were $950,297,000 and Shareholders' Equity at book value was $52,978,000.

The Corporation's computation of Adjusted Shareholders' Equity, reflecting current market values, indicates an Adjusted Shareholders' Equity per common share of $86.00 at the end of 1980 compared with $69.00 at the end of 1979, an increase of 25%.

Development

1980 was an extremely successful year as the Corporation continued its aggressive expansion and diversification program. New operating offices were opened in California, Texas and Florida, and the new projects initiated in the Corporation's three main business segments will involve capital expenditures of more than $2 billion over the next five years.

Royal Trustco

Although the Corporation's tender offer in August for all the shares of Royal Trustco was not successful, the Corporation has generally received acknowledgement for its very professional and ethical conduct. Provincial and Federal regulatory authorities are conducting separate investigations into the propriety of the extraordinary market purchases, allegedly by 'friends' of Royal Trustco,which led to the offer being unsuccessful.

Outlook

While high interest rates and difficult economic conditions are likely to continue for much of 1981, the Corporation is well positioned to enjoy another excellent year. Increased profitability is expected in 1981 from the first condominium closings in the U.S. and from increased lot sales in California. Additionally, the major changes being made to the Corporation's Building Products, Lumber and Hotel operations should improve profitability and cash flow.

Appreciation

The significant achievements of 1980 directly reflect the enthusiasm and contribution of our employees throughout the organization and, to all these people, the Board wishes to express its appreciation.

R. Campeau
Chairman and
Chief Executive Officer

R.B. McCartney
President

Ottawa, Ontario
March 6, 1981

The Commercial Group

Five Thomas Mellon Circle, San Francisco Executive Park, San Francisco, California.

In addition to being responsible for the development and acquisition of new properties, the Commercial Group is responsible for the leasing and management of the income producing properties owned by the Corporation. A condensed summary of the current property portfolio is set out below and a complete summary appears on pages 24 and 25 of this report.

Table 1
Property Portfolio

Shopping Centres	5,709,000
Office Buildings	5,218,000
Industrial Properties	1,338,000
Total Square Feet	12,265,000
Residential Units	4,003
Hotel Rooms	2,165

The effective management of this large portfolio can have a significant effect on profitability. The leasing of space as it becomes available is a constant challenge that requires skills in maximizing utilization of space as well as knowledge of market rents, tenant possibilities and lease structuring. In periods of continuing inflation the proper control of operating, promotion and advertising, maintenance and security costs is also very important. The Commercial Group has been working on the design and implementation of new accounting and management information systems to aid operating performance.

Historically the Corporation's portfolio has experienced extremely low vacancy rates and recently management has been concentrating on improving and upgrading the tenant mix in several multi-use properties. In 1980 significant space was available only in two Ottawa office projects, and a major leasing program is now being implemented which should result in this vacancy being substantially reduced by the end of 1981.

The primary activity of the Commercial Group is the development of new commercial projects and currently a number of such projects are either under construction or in the final planning stages in both Canada and the United States.

Canada

Kanata Town Centre
Phase I of the new Kanata Town Centre will be completed in the spring of 1981. This phase consists of a 30,000 square foot office building and an 82,000 square foot shopping centre anchored by a Loblaws food store.

Place Longueuil Shopping Centre
The renovation and rebuilding of the Place Longueuil Shopping Centre will be completed in May 1981. The new enclosed regional centre will be 340,000 square feet and will be anchored by a Miracle Mart department store and a Steinberg food store. The ancillary space in the new centre is 100% pre-leased at rents considerably higher than the rents in the old centre.

Place du Saguenay Shopping Centre
In Chicoutimi, Quebec the Commercial Group is presently engaged in the reconstruction of Place du Saguenay which was damaged by fire in 1980. This shopping centre includes a Sears department store and a large food store. The entire ancillary retail area is also being rebuilt and modernized to reflect current market conditions. The planned opening date for this shopping complex is November, 1981.

Principal Plaza
In Edmonton, Principal Plaza, a 400,000 square foot office building located on Jasper Avenue, began receiving its first tenants during November, 1980. This is the Corporation's first major property in Western Canada and the response from the local tenants, residents and press has been extremely favourable. Although the Edmonton office market has generally softened, lease commitments are now in place for more than 50% of the available space in Principal Plaza, slightly ahead of initial leasing projections. During the year the City of Edmonton approved an amendment to its Light Rail Transit scheme to add an underground station immediately adjacent to Principal Plaza. The station's mezzanine will be directly accessible from the Principal Plaza retail concourse and will provide a link to the main Hudson's Bay store in Edmonton.

Pinecrest Shopping Centre
Construction will commence in the spring of 1981 on a new 212,000 square foot shopping centre in west Ottawa. To be known as Pinecrest Shopping Centre, this project is located adjacent to the Queensway and the 35 acre site offers attractive future expansion possibilities.

Fairgrounds Mall
Construction will also start in the spring of 1981 on the Fairgrounds Mall in Thunder Bay. This enclosed regional centre will include an 80,000 square foot Zeller's store and approximately 110,000 square feet of additional retail space, all linked to an existing 140,000 square foot Sears store.

Projects Under Development
The Corporation has been selected as the designated developer for a major downtown redevelopment project in the City of Brantford, Ontario. It is anticipated that this project will commence construction in late 1981 or early 1982 and will contain a 100,000 square foot Eaton's department store and approximately 120,000 square feet of additional retail space.

The Commercial Group recently acquired an option on a 40 acre site in Hull, Quebec for the development of a neighbourhood shopping centre. This project will include a promotional department store and a major food store. Construction is currently projected to start in the spring of 1982.

The Corporation plans to develop a major regional shopping centre complex in south Ottawa. The South Keys Shopping Centre will be located on a 58 acre site and will have two major department stores with a total retail area of approximately 500,000 square feet in the first phase and expansion capability of an additional 750,000 square feet. This project is scheduled to commence construction in late 1982 or early 1983.

A 50 acre site was also optioned during 1980 in Drummondville, Quebec and current plans call for the development of a 350,000 square foot regional shopping centre to include two major department stores and a food store.

In Edmonton, plans are being formalized for a major mixed-use development in the downtown area. The project is to be known as Commonwealth Square and contemplates a major office building complex, a luxury hotel and residential condominium apartments. This complex will be linked, by pedway, to the Principal Plaza project and the Light Rail Transit system.

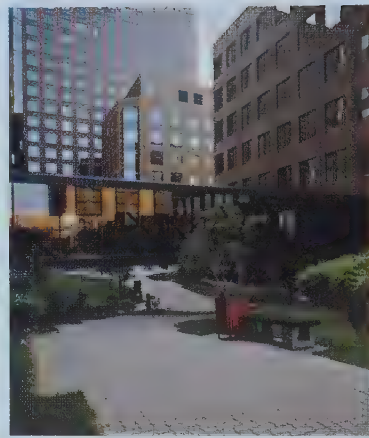
Portfolio Purchase
In late February of 1981 the Corporation signed an agreement to purchase a package of 57 selected commercial and industrial properties for approximately $70 million. These properties are located in the Ottawa-Carleton Region and contain about 2.5 million square feet of leasable space. This purchase is subject to certain approvals and is expected to close in the spring of 1981. The Corporation is confident that these properties will prove to be a very valuable addition to the Canadian rental property portfolio.

United States

During 1980, the Commercial Group appointed regional Vice-Presidents in San Francisco and Dallas to be responsible for the Pacific Coast and the South-Central regions of the United States respectively. It is anticipated that a major portion of the Commercial Group's asset and cash flow growth in the 1980's will be generated in the United States.

Oakmead Village – Santa Clara
The initial activity of the Commercial Group in the United States was the 1978 acquisition of several buildings and 90 acres of undeveloped land in the Oakmead Village Industrial Park in Santa Clara County, California.

During 1980 the Corporation acquired an additional 30 acres of undeveloped land and completed a number of new buildings in the Oakmead Village project. The 200,000 square foot Signetics Building opened in June, 1980. Approximately



Principal Plaza, Edmonton, Alberta (opposite page); Les Terrasses de la Chaudière, Hull, Quebec (above); Place de Ville Complex, Ottawa, Ontario (left); Oshawa Shopping Centre, Oshawa, Ontario (below).

25,000 square feet of retail and restaurant space was completed and leased. Construction is now underway on a 32,000 square foot office building, a 23,000 square foot commercial centre and three industrial research and development buildings totalling 250,000 square feet. Interim and permanent financing is in place for all of these projects. An additional 350,000 square feet of industrial space is in the advanced planning stages and will be started in mid-1981.

In response to the pressing need for additional housing land in the Santa Clara Valley, the Corporation decided to convert some of its industrial land holdings to permit multi-family residential development. These lands will be sold to local residential builders.

San Francisco Executive Park
In San Francisco, activity has picked up considerably at the Corporation's 70 acre site known as San Francisco Executive Park. During 1980, the first 100,000 square foot office building was completed and fully leased. The quality of the tenant mix and the rental rates have exceeded expectations. A second 100,000 square foot building will be started immediately and a third building is planned to start later this year.

During 1980, the City of San Francisco approved important changes to the master plan for this project, and civic works and site landscaping commenced in accordance with the revised plan. The large size and impressive physical characteristics of this property, located next to Candlestick Park overlooking San Francisco Bay, are sure to make this an exciting development project for the next three to four years. When completed, it is anticipated that more than 1,100,000 square feet of leaseable space will be developed on this site.

Birtcher Business Centre
Construction commenced during 1980 on a planned condominium office community called Birtcher Business Centre in Lake Forest, Southern California. Scheduled for completion in June, 1981, this development consists of 28 individual office units each having a unique configuration. Demand for office condominium space continues to be extremely strong in Southern California as approximately 70% of this development has been presold and selling prices to date have exceeded our expectations.

Houston Office Development
Early in 1980, the Corporation completed the purchase of a 2.2 acre site in the downtown core of Houston, Texas. Strategically located on the south side of Houston's Central Business District, the one-and-one-half city block site has access to the existing downtown pedestrian tunnel system and is well positioned to give the project visual prominence on the Houston skyline.

The Commercial Group is proceeding with plans for a $250 million office tower on the site. Designed for Campeau by the Houston office of Skidmore, Owings and Merrill, the rectilinear tower will have prism-like modulations of bay windows on each side, creating the opportunity for as many as 20 corner offices on each floor. Construction is scheduled to commence in October, 1981.

Projects Under Development
In mid-1980, the Corporation acquired control of a major 5.5 acre development site in the central business district of Dallas, Texas. Preliminary plans for the site envision a multi-use complex containing office, retail, hotel and residential space. The complex will have over 3,000,000 square feet of space and will be built in three phases over the next five years.

Also during 1980, the Commercial Group completed the land assembly for a major office building development in Santa Monica, California. The Landau Partnership, Inc., a noted Los Angeles firm of architects and planners, has been retained to design this project which has an estimated cost of $60 million.

The Commercial Group has a number of other sites either under option or in the final stages of negotiation, and it is anticipated that several more new projects will be announced in 1981.

Oakmead Village Industrial
Park, Santa Clara, California

The Residential Group

Historically the Residential Group has developed lowrise housing units ranging from single family homes and duplexes to townhouse and gardenhome complexes. In recent years, however, increasing emphasis has been placed on the development of highrise luxury condominium projects. The Group has also been aggressively expanding geographically in order to reduce its dependence on traditional Eastern Canadian markets. The target areas for expansion have been waterfront locations in Florida and unique downtown locations in several growing cities in Texas and California where luxury condominiums are relatively new to the market.

While housing revenues in 1980 increased marginally over 1979 levels, pre-tax margins increased dramatically to 16.6% from 11.9% reflecting the increased profitability of highrise condominiums over single family housing. Standing inventories in Canada at year end totalled 240 units versus 755 units at the end of 1979. There were no finished units in inventory in the United States at the end of 1980 although 386 units were under construction.

A summary of year end inventory levels over the past four years is presented in Table 2. This table highlights the effectiveness of the Corporation's new and tighter controls on housing inventories.

Canada

Toronto, Ontario
The Residential Group's major project in Toronto is the Harbour Square project. Harbourside, the second phase of this luxury condominium development on the waterfront in downtown Toronto, had sales in 1980 of 294 units. At year end, only 34 Harbourside units remained unsold.

Construction on the third and last phase of the Harbour Square project will start in the summer of 1981 and will consist of 492 luxury condominium units in two 40-storey towers.

Ottawa, Ontario
Sales in the National Capital Region totalled 203 units in 1980 compared with 358 units in 1979. A relatively low rate of growth in the local economy combined with continued high mortgage rates have continued to depress demand.

As a result of the reduced demand for new homes, the Corporation has temporarily suspended its single-family and semi-detached new home construction activity in the National Capital Region. The Corporation will continue to develop its extensive land holdings in the Region for sale to other builders. Although consumer demand is expected to remain soft in 1981, the Corporation is confident that market conditions will eventually improve in Canada's fourth largest city, and the Corporation may resume its single family

Table 2
Housing Inventory

	Number of Units			
	1980	1979	1978	1977
Detached	**83**	153	140	265
Semi-detached	**45**	88	140	140
Townhouses	**27**	135	259	389
Highrise Condominiums	**85**	379	680	927
	240	755	1,165	1,702

Bayou Bend Towers, Houston, Texas.

construction activities if conditions warrant.

Montreal, Quebec
Sales in Ile Bizard and Laval totalled 96 units compared with 144 units in the previous year. The resurgence in the Montreal housing market which was expected to follow the Quebec referendum failed to materialize; however, Montreal's downtown core has attracted vigorous building activity in recent months and the forthcoming provincial election may signal a period of renewed growth for the Province of Quebec.

United States

Jupiter, Florida
Construction is proceeding on two 15-storey towers of 138 units each on the Atlantic Ocean in Jupiter, Florida. Sales in the project have exceeded all expectations and 100% of the units now under construction are already sold.

Construction of a third 138 unit, 15-storey condominimum tower and 85 midrise units will commence in April, 1981 and more than 70% of these units have already been sold.

Houston, Texas
Construction is well advanced on Bayou Bend Towers, a luxury highrise condominium project of 110 units located in Houston, Texas. Completion is scheduled for May, 1981. Approximately 40% of the units in this project have been pre-sold and it is anticipated that sales will pick up sharply when furnished models are opened in March of 1981.

In February, 1981, the Residential Group began marketing units at The Spires, the first of two 40-storey towers each containing 238 units located in the Texas Medical Centre area of Houston. Construction of the first tower is scheduled to begin in June, 1981.

Dallas, Texas
The Corporation recently commenced marketing its first residential condominium project in Dallas, Texas. The project, called La Tour, is a 23-storey, 131 unit residential condominium tower and construction is scheduled to start in June, 1981. Located in the Vineyard, a fashionable neighbourhood of restaurants and boutiques close to the central business district, La Tour is just the first of several luxury condominiums to be developed by the Corporation in the Vineyard.

Altogether, the Corporation has assembled 69 tracts of land covering 21 acres and intends to develop a complete integrated residential and business community in several phases over the next six years. Although the emphasis will be primarily residential, the community will also include office buildings, a hotel, restaurants and extensive retail space.

San Francisco, California
In California, the Corporation has assembled approximately six acres of waterfront land in the South Beach-Rincon Point redevelopment area close to downtown San Francisco. Present plans call for the development of more than 600 high and midrise condominium units on this parcel. Planning will proceed throughout 1981 with a construction start on the first phase scheduled for 1982.

Other Developments

The Corporation has many other sites under option or in various stages of negotiation and expects to announce several new residential projects in 1981.

Harbourside, Toronto, Ontario (opposite page); The Spires, Houston, Texas (above); Ocean Trail, Jupiter, Florida (left and below).

The Land Group

The Land Group is responsible for the evaluation of land development opportunities in potential growth areas and for the acquisition and assembly of undeveloped land. The Group then undertakes the planning, zoning, subdividing, registration and servicing of these lands to make them available for sale or for use by other divisions of the Corporation. The Group is also responsible for the marketing of all lands managed by it.

The Corporation owns or has a majority interest in a substantial land inventory in both Canada and the United States. A summary of these holdings by geographic area at the end of 1980 is set out below.

Table 3
Land Inventory

	Acres
Nova Scotia	125
Quebec	3,380
Ontario	6,789
Western Provinces	48
United States	5,600
	15,942

Canada

Major land positions in Canada are concentrated in the National Capital Region and Montreal area. These land banks were originally acquired to meet the requirements of the Corporation's tract housing operations as well as for development into lots for sale to other builders.

In the past couple of years, demand for residential serviced lots in Eastern Canada has been weak as builders have reduced inventory levels and generally cut back speculative building activity in the housing market. This cautious attitude is partly a reflection of changing demographic patterns, but more importantly reflects continuing economic uncertainty and prevailing high interest rates.

The Land Group has been concentrating its recent efforts on the subdivision of various parcels of serviced residential land to better respond to market requirements. Application has been made to subdivide approximately 700 acres of the Corporation's residential land bank in the City of Kanata. The concept has been well received by municipal officials and by citizens groups and early approval is anticipated. Such approval would enable the Corporation to respond to the increasing demand for housing in the City of Kanata resulting from the mushrooming growth in the area's electronics industry.

In Calgary, the Corporation sold its last multi-family residential block and its remaining semi-detached lots at Point McKay.

United States

California
Colinas de Capistrano
During 1980, the Corporation continued to expand its position as a major land developer in Southern California. Development continued throughout the year on the final 322 acres (originally 1260 acres) of the Colinas de Capistrano Community in South Orange County. Sales on this tract were suspended for all of 1980 due to litigation brought by residents of a neighbouring community who claim that the proposed development will obstruct their view of the nearby ridge line. The Corporation anticipates that the litigation will be satisfactorily resolved during 1981. Tract map approvals were obtained for 343 residential units in late 1980, and it is expected that these units will be sold and that tract map approvals will be

Lomas de Yorba,
Orange County,
California

obtained for the final 491 units by mid-1981.

Lomas de Yorba
In 1980, development continued on schedule in the Lomas de Yorba Community, a 3,331 acre, 3,900 unit residential community located in the City of Yorba Linda in Eastern Orange County. The Corporation, which has a 50% interest in the project and is the managing partner, serviced and sold the first tract of 120 luxury ridge lots during the year. Servicing and development is continuing on the second phase, and it is expected that sales of approximately 400 units will occur in 1981.

Lakeridge Country Estates
The development approval process continued on the 1,721 acre Lakeridge Estates project in Riverside County. Master planning was completed, and it is anticipated that development approvals will be obtained in the first quarter of 1981 with sales of lots or parcels taking place before the year end.

Cable Lake
In late 1980, the Corporation completed the assembly of a number of small parcels totalling 105 acres in the Cable Lake area in the northern section of the City of San Bernardino. The Corporation has an 80% interest in this project and to date tract map approvals have been obtained for a 404 unit mobile home subdivision. Final recordation of this tract, as well as tract map approvals for a second mobile home community of 120 units and 20 acres of commercial-industrial lots, is expected before mid-1981. All of these units are expected to be sold in 1981.

State College Business Park
In late 1980, the Corporation expanded its land operations into the field of industrial land development in Southern California with the purchase of an 80% interest in the San Bernardino State College Business Park. Servicing of this development of 56 lots on 185 acres will begin immediately and it is expected that at least 40 acres of lot sales will be concluded before year end.

Florida
Boca Grove
Late in 1980, the Corporation entered into a new joint venture in Florida with LaBonte Diversified Development, Inc., a Florida developer and builder. The venture, called Boca Grove Associates, is developing a luxury residential community in Boca Raton on a 300 acre tract located two miles west of Interstate 95 and directly south of the two very successful Arvida developments – Estancia and Boca West. This exclusive new Boca Grove community will include a new championship golf course, eight tennis courts, and will have a luxury clubhouse facility serve as the focal point of community activity. Use of the club and amenities will be restricted to residents and their guests. Site work on the project has already commenced and improvements for the entire project will be completed by December, 1981.

Southern California Land Holdings (left, top); Boca Grove, Boca Raton, Florida (left, below).

Other Operations

L'Auberge de la Chaudière, Hull, Quebec

During the year the Corporation completed a review of its non-real estate operations and generally concluded that the Corporation should discontinue its direct involvement in the Hotel, Building Products and Lumber operations. These businesses have not been producing satisfactory returns, are labour intensive and involve a disproportionate amount of senior management time.

Hotels

In the normal course, the Corporation views hotels as income producing properties to be leased to hotel operators. However, in the case of the Harbour Castle in Toronto, Ontario and L'Auberge de la Chaudière in Hull, Quebec, the Corporation recognized that these hotels were essential to the success of large-scale, mixed-use projects, and since satisfactory leases could not be arranged at the commencement of the projects, the Corporation chose to operate them for its own account.

As the Toronto harbourfront has matured, the Harbour Castle has enjoyed substantial improvements in occupancy levels and room rates. As a result, several groups have expressed an interest in purchasing or leasing this hotel. Negotiations have been taking place, and it is likely that the Harbour Castle will be sold in 1981.

L'Auberge de la Chaudière is generally acknowledged to be one of the finest hotels in North America, but occupancy levels and room rates have not yet met expectations. Early in 1981 the Corporation entered into an agreement to lease L'Auberge de la Chaudière to Plaza Hotels Inc. effective May 1, 1981. The lease provides a guaranteed minimum rent and contains an additional rent formula which will give the Corporation a substantial participation in future profits.

Building Products

Since 1956, the Building Products Division has manufactured building materials and components for its own use, for sale to builders and for retail sale. In recent years, this division has experienced reduced activity because of declining building levels in Eastern Canada, and a decision has now been made to dispose of these operations. One portion of this division has already been sold, and it is projected that the remaining operations will be dealt with by the end of 1981.

Lumber

North American demand for lumber was very weak and lumber prices were at record low levels for most of 1980. Demand and price levels should improve in 1981, and because of relatively limited forestry resources on a world-wide basis, industry expectations for the next decade are generally positive. However, the lumber operation is no longer integrated with Campeau's housing division and a corporate decision has been made to dispose of these operations. Active negotiations have commenced, and it is anticipated that this division will be sold in 1981.

Financial Review

Campeau Corporation achieved record levels in 1980 for revenues, net earnings and cash flow from operations.

Revenue increased to $269,716,000 from $242,092,000 in 1979. Net earnings were $14,527,000 or $3.53 per common share compared with $6,601,000 or $1.55 per common share in 1979. There were no extraordinary items in 1980, but an extraordinary gain of $1,800,000 was included in 1979 net earnings.

Cash flow from operations, which is derived by adding non-cash charges such as deferred income taxes, depreciation and amortization to net earnings, increased in 1980 to $34,210,000 or $8.50 per share compared with $24,098,000 or $6.01 per share in 1979.

Sources of Income

In compliance with the new accounting rules of the Canadian Institute of Chartered Accountants, the Corporation's financial statements for 1980 contain certain information broken down by identifiable business segments. This new disclosure permits useful analysis of the contributions being made by each business segment.

In the case of Campeau Corporation, the segmented disclosure confirms that significant improvements have occurred in each of the real estate segments. However, the new disclosure also highlights the unsatisfactory profit levels which have been occurring in the Corporation's non-real estate operations. Table 4 below summarizes the Revenue and Operating Profit for the real estate business segments while Table 5 provides a similar analysis of the Corporation's non-real estate activities.

Table 4
Revenue and Operating Profit – Real Estate

(in thousands)	Revenue		Operating Profit	
	1980	1979	**1980**	1979
Properties	**$ 93,461**	80,944	**54,056**	49,835
Land	**34,790**	26,308	**9,561**	7,327
Housing	**70,859**	70,158	**11,770**	6,938
Other	**70,606**	64,682	**2,524**	3,379
Total	**$269,716**	242,092	**77,911**	67,479

Revenue and operating profit from Properties improved significantly over 1979 levels, and this division continues to be the major source of operating profit for the Corporation. While there was only a marginal increase in revenue from Housing in 1980, operating profit improved substantially over 1979 as a result of the higher profitability of condominium sales at Harbourside in Toronto. Revenue and operating profit from Land operations also improved in 1980.

Table 5
Revenue and Operating Profit – Non-Real Estate

(in thousands)	Revenue		Operating Profit	
	1980	1979	**1980**	1979
Hotels	**$42,490**	35,452	**2,627**	193
Lumber and Building Products	**25,868**	28,755	**(1,482)**	2,715
Miscellaneous	**2,248**	475	**1,379**	471
Totals	**$70,606**	64,682	**2,524**	3,379

While operating profit for Hotels increased significantly in 1980, the increase was more than offset by decreased profitability from Lumber and Building Products. Dealing with these non-real estate operations has been a very high priority for the Corporation and substantial progress has been made. Details of the dispositions and changes planned for these operations are set out under Other Operations on page 21. These changes should have a significant positive effect on net earnings and cash flow from operations in 1981.

Assets

Total assets of the Corporation increased to $950,297,000 at December 31, 1980 compared with $866,359,000 the year earlier. Table 6 illustrates the geographic distribution of the Corporation's assets and highlights the increasing proportion of the Corporation's investments in the United States.

Table 6
Total Assets

	1980		1979		1978	
	($000)	%	($000)	%	($000)	%
Quebec	**254,763**	**26.8**	247,712	28.6	243,589	33.8
Ontario	**420,835**	**44.3**	419,455	48.3	407,341	56.5
Western Canada	**49,779**	**5.2**	47,206	5.5	31,462	4.4
United States	**224,920**	**23.7**	151,986	17.6	37,960	5.3
	950,297	**100.0**	866,359	100.0	720,352	100.0

Adjusted Shareholders' Equity

At December 31, 1980 the Shareholders' Equity, at book value, was $52,978,000. However, historical cost financial statements do not necessarily indicate the fair market value of a corporation's equity. This is particularly true for real estate corporations where the fair market value of assets frequently is substantially in excess of book value.

To provide an additional measure of the operating and investment performance of management, the Corporation calculates an Adjusted Shareholders' Equity. Essentially this computation involves adjusting the recorded Shareholders' Equity to reflect the estimated current market value of the Corporation's assets and liabilities, net of the income tax effects associated with such adjustments. Substantially all of the current market values for the Corporation's real estate assets were established, or reviewed, by independent appraisers with the remaining assets being estimated by Management.

Table 7 summarizes the Adjusted Shareholders' Equity computation at December 31, 1980 and indicates that the appraisal surplus, net of related income taxes, at December 31, 1980 was $297,601,000, up from $240,774,000 at the end of 1979.

On a per common share basis, the Adjusted Shareholders' Equity has increased at December 31, 1980 by approximately 25% to $86.00 per share from $69.00 per share in 1979.

Table 7
Adjusted Shareholders' Equity

(in thousands)	**1980**	1979
Recorded Shareholders' Equity	**$ 52,978**	39,899
Less par value of preference shares	**(7,600)**	(7,800)
	45,378	32,099
Adjustments, net of associated income tax effects:		
Properties	**223,939**	185,116
Land	**71,707**	62,726
Housing	**7,824**	—
Non-real estate assets and liabilities	**(5,869)**	(7,068)
Net Appraisal Adjustment	**297,601**	240,774
Adjusted Shareholders' Equity	**$342,979**	272,873
Per Common Share	**$ 86.00**	69.00

Dividends

In recognition of the Corporation's improved profit and cash flow performance and the strengthened financial position of the Corporation, the Board of Directors increased the common share dividend paid in 1980 to $.30 per share compared with $.20 paid in 1979.

Summary of Income Properties

Shopping Centres	Percentage Interest	Rentable Sq.Ft.
Quebec		
Le Carrefour Rimouski, Rimouski	50	343,000
*Place Longueuil, Longueuil	67	340,000
Les Galeries Jonquiere, Jonquiere	50	245,000
Le Carrefour Alma, Alma	50	240,000
*Place du Saguenay, Chicoutimi	75	208,000
Place Drummond, Drummondville	100	88,000
Place de Fabreville	100	40,000
Place St. Jean, Pierrefonds	100	35,000
Place du Progrès, Gatineau	100	24,000
Ontario		
Oshawa Shopping Centre, Oshawa	100	972,000
New Sudbury Shopping Centre, Sudbury	100	479,000
Wellington Square, London	100	413,000
Timmins Square, Timmins	50	359,000
Golden Mile Plaza, Toronto	100	263,000
Kingston Shopping Centre, Kingston	100	216,000
Beacon Hill Shopping Centre, Ottawa	100	123,000
Inter-City Plaza, Thunder Bay	100	114,000
Sunnybrook Plaza, Toronto	100	96,000
Dorwin Plaza, Windsor	100	75,000
Kanata Town Centre, Kanata	100	63,000
York Plaza, Toronto	100	59,000
East Mall, Oshawa	100	45,000
Riverside Shopping Mall, Ottawa	100	42,000
Eringate Mall, Toronto	100	36,000
Kanata Shopping Centre, Kanata	100	26,000
Other Ontario Properties	100	174,000
Saskatchewan		
Golden Mile Plaza, Regina	100	214,000
Scarth St. Building, Regina	100	38,000
Alberta		
Woolworth Building, Lethbridge	100	44,000
British Columbia		
Town and Country Centre, Victoria	100	235,000
California		
*Oakmead Commercial Centre, Sunnyvale	50	23,000
Restaurants (3), Santa Clara	50	26,000
Restaurant, Sunnyvale	50	11,000
Total		**5,709,000**

*Under construction

Office Developments

	Percentage Interest	Rentable Sq. Ft.
Montreal		
Showmart	100	182,000
Saguenay Building	75	45,000
Hull		
Les Terrasses de la Chaudière	100	1,910,000
Ottawa		
Place de Ville	100	1,270,000
Journal Towers	100	640,000
Centennial Towers	100	380,000
Kanata Town Centre	100	30,000
Edmonton		
Principal Plaza	50	400,000
Vancouver		
Rayonier Building	100	68,000
San Francisco		
Monadnock Building	100	166,000
Executive Park, OB-1	50	95,000
Santa Clara		
Oakmead Office Building	50	32,000
Total		**5,218,000**

Hotels

	Rooms
Harbour Castle Hilton, Toronto	963
Holiday Inn, Ottawa	505
Skyline Hotel, Ottawa	454
L'Auberge de la Chaudière, Hull	243
Total	**2,165**

Raceways

Blue Bonnets Raceway, Montreal
Richelieu Raceway, Montreal

Industrial Properties

	Percentage Interest	Rentable Sq. Ft.
Ontario		
Lismer Building, Ottawa	100	69,000
2530 Stanfield Road, Cooksville	100	45,000
Dashwood Building, Kanata	100	18,000
Pitney Bowes Building, Ottawa	100	17,000
California		
Signetics – 1, Santa Clara	50	200,000
Manta Buildings, San Leandro	100	199,000
Marlin Buildings, Union City	100	149,000
Poly-vue Plastics, Petaluma	100	132,000
*Montague Place B, San Jose	50	110,000
*Montague Place C, San Jose	50	73,000
Signetics – 2, Santa Clara	50	70,000
*Montague Place A, San Jose	50	69,000
Intel Building, Santa Clara	50	44,000
Eaton Building, Santa Clara	50	40,000
Applied Materials – 1, Santa Clara	50	30,000
Lockheed Building, Santa Clara	50	29,000
Applied Materials – 2, Santa Clara	50	28,000
I.D.T. Building, Santa Clara	50	16,000
Total		**1,338,000**

Residential Properties

	Percentage Interest	Units
Ontario		
Riverside Court Apartments, Ottawa	100	757
Redwood Court Garden Homes, Ottawa	100	640
Playfair Towers, Ottawa	100	427
Brydencourt Apartments, Toronto	100	352
Champlain Towers, Ottawa	50	243
Kanata Garden Homes, Kanata	100	232
Varley Apartments, Kanata	100	85
Riverside Heights Garden Homes, Ottawa	100	83
Quebec		
Chateau Maisonneuve, Montreal	100	242
New York		
Fleetwood Park Apartments, Westchester	60	480
Netherland Gardens, Riverdale	33	462
Total		**4,003**

Consolidated Statement of Earnings
Year ended December 31, 1980

(in thousands)	Notes	1980	1979
Revenue	12	$269,716	242,092
Expenses:			
Cost of sales		174,597	160,376
Financing		53,373	47,579
General and administrative		15,153	12,898
Depreciation and amortization		9,534	7,365
		252,657	228,218
		17,059	13,874
Gain on sale of rental properties		6,068	1,101
		23,127	14,975
Income taxes – deferred	13	8,600	10,174
Earnings before extraordinary item		14,527	4,801
Extraordinary item	14	—	1,800
Net earnings		$ 14,527	6,601
Earnings per common share			
Before extraordinary item		$ 3.53	1.09
After extraordinary item		$ 3.53	1.55

Consolidated Statement of Retained Earnings
Year ended December 31, 1980

(in thousands)	Notes	1980	1979
Balance at beginning of year		$21,094	16,634
Net earnings		14,527	6,601
		35,621	23,235
Dividends:			
Second Preference		6	6
Series A Preference		520	532
Common		1,190	785
Premium on conversion of convertible notes payable to Class A Common Shares	11	353	353
Premium on purchase of Common Shares for cancellation		332	465
		2,401	2,141
Balance at end of year		$33,220	21,094

Consolidated Balance Sheet
December 31, 1980

(in thousands)	Notes	1980	1979
Assets			
Properties	3	$532,738	546,840
Land held for sale and development	4	196,445	156,949
Inventories	5	77,519	66,762
Amounts receivable	6	90,191	78,367
Other assets	7	43,232	4,325
Deferred charges	8	10,172	13,116
		$950,297	866,359
Liabilities			
Long-term debt	9	$627,697	618,584
General bank indebtedness	10	108,198	51,346
Advances relating to land and housing		70,819	69,646
Accounts payable and accrued liabilities		34,583	39,462
		841,297	779,038
Deferred income taxes		56,022	47,422
Shareholders' equity:			
Capital stock	11	19,758	18,805
Retained earnings		33,220	21,094
		52,978	39,899
		$950,297	866,359

On behalf of the Board:

R.B. McCartney, Director
W.J. Carroll, Director

Auditors' Report to the Shareholders

We have examined the Consolidated Balance Sheet of Campeau Corporation as of December 31, 1980 and the Consolidated Statements of Earnings, Retained Earnings, Cash Flow from Operations and Changes in Financial Position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these Consolidated Financial Statements present fairly the financial position of the Corporation as of December 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Ottawa, Canada
February 18, 1981

Peat, Marwick, Mitchell & Co.
Chartered Accountants

Consolidated Statement of Cash Flow from Operations

Year ended December 31, 1980

(in thousands)	1980	1979
Earnings before extraordinary item	$ 14,527	4,801
Items not requiring a current outlay of cash:		
Deferred income taxes	8,600	10,174
Depreciation and amortization	9,534	7,365
Amortization of foreign currency translation differences	1,549	1,758
Cash flow from operations	$ 34,210	24,098
Cash flow per common share	$ 8.50	6.01

Consolidated Statement of Changes in Financial Position

Year ended December 31, 1980

(in thousands)	1980	1979
Source of cash		
Cash flow from operations	$ 34,210	24,098
Issue of long-term debt	76,036	129,064
Increase in general bank indebtedness	56,852	20,314
Amounts recovered from bulk sale of rental properties	34,519	—
Increase in advances relating to land and housing	1,173	27,610
Issue of capital stock	2,224	1,559
	$205,014	202,645
Use of cash		
Increase in land, net	$ 39,496	30,974
Increase in inventories	10,757	7,260
Increase in amounts receivable	11,824	42,224
Repayment of long-term debt	66,923	44,526
Capital stock redeemed	1,609	1,573
Dividends	1,716	1,323
Other assets	38,907	(2,386)
Other, net	6,892	16
	$178,124	125,510
Increased investment in properties, net	$ 26,890	77,135

Notes to the Consolidated Financial Statements
December 31, 1980

1. Significant accounting policies

(a) General
The Corporation is a member of the Canadian Institute of Public Real Estate Companies. The Corporation's accounting policies and its standards of financial disclosure are in accordance with the recommendations of that Institute in all material respects.

(b) Principles of consolidation
The consolidated financial statements include the accounts of the Corporation and all of its subsidiaries together with the Corporation's proportionate share of the assets, liabilities, revenues and expenses of all incorporated and unincorporated joint ventures.

(c) Foreign Exchange
Asset and liability accounts in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at the balance sheet date except for hedged debt which is translated at the rates established by the related futures contracts. Revenue and expense accounts are translated at the weighted average rates prevailing during the year.

The portion of unrealized gains or losses on debt relating to domestic operations is deferred and amortized over the remaining term of the debt. The portion of unrealized gains or losses relating to foreign operations is deferred until realized.

(d) Properties
Properties are shown in the Balance Sheet at cost less accumulated depreciation.

(e) Land held for sale and development
Land held for sale is carried at the lower of cost and estimated net realizable value and land held for development is carried at cost.

(f) Capitalization of costs
The Corporation capitalizes all direct costs of properties under development and land held for sale and development. In addition certain indirect costs, including specific interest, property taxes and a portion of the general cost of corporate borrowing and administrative expenses considered applicable to specific properties, are capitalized. Revenues received prior to completion of a property and other miscellaneous income are treated as a reduction of costs.

(g) Deferred hotel costs
Pre-opening costs and operating costs net of revenue from the date of opening to the date upon which the hotel becomes fully operational are deferred and amortized over five years.

(h) Income taxes
Income taxes are recorded on the tax allocation basis. Deferred income taxes result primarily from:

(i) the difference between depreciation recorded for accounting purposes and capital cost allowance claimed for income tax purposes; and

(ii) the deferral of certain development and carrying costs for accounting purposes, deducted for income tax purposes.

(i) Revenue recognition

(i) Rental

Revenue from a rental property is recognized once a property is deemed to be completed. Completion occurs once a break-even point in cash flow earnings is attained, subject to a reasonable maximum period of time.

(ii) Housing and land operations

(a) Detached and semi-detached house sales – when title passes to the purchaser.

(b) Condominium housing sales – at first closing, when the purchaser is entitled to possession.

(c) Land sales – when all material conditions have been fulfilled and the Corporation has received a down payment that is appropriate in the circumstances having regard to the financial resources of the purchaser.

(j) Cost of sales – housing and land operations

Generally, the Corporation allocates its cost of sales on land and highrise condominium sales in proportion to anticipated revenue.

(k) Depreciation

(i) Properties

Depreciation on buildings is provided on the sinking fund method in annual amounts increasing at the rate of 5% compounded annually, which is designed to fully amortize the costs of the buildings over their estimated useful lives.

The estimated useful lives of buildings are mainly as follows:

Office buildings	40 to 60 years
Hotels	60 years
Apartment buildings and shopping centres	30 to 50 years
Garden homes and townhouses	40 years
Commercial/Industrial buildings	30 years

Furniture and equipment are depreciated on the diminishing balance and straight-line methods at various rates.

Tenant improvements are amortized over the term of the leases.

Raceways and related appurtenances are depreciated on the straight-line method. The estimated useful life for buildings, tracks, sewers, parking lots and fences is 40 years and for equipment, 10 years.

(ii) Other property, plant and equipment

Other property, plant and equipment are depreciated on the diminishing balance method at the rates of 5% and 10% annually for occupied premises, 30% annually for construction equipment and rolling stock and 20% annually for other equipment.

2. Joint ventures

The consolidated financial statements include the Corporation's proportionate interest in its incorporated and unincorporated joint ventures as follows:

(in thousands)	1980	1979
Assets	**$101,308**	107,592
Liabilities	**81,211**	80,900
Revenues	**17,370**	7,412
Earnings before extraordinary item	**1,850**	719

The Corporation has guaranteed certain of the obligations of its joint ventures and is contingently liable for the obligations of its associates in certain joint venture developments. The amount of such liability in excess of the liability recorded above on December 31, 1980 was $65,460,000 (1979 – $51,136,000). The assets of the joint ventures are available and are sufficient for the purpose of satisfying such obligations.

The Corporation has provided additional financing to certain joint ventures in the amount of $8,165,000 (1979 – $14,843,000) which is included in Amounts Receivable on the Balance Sheet. Generally, this additional financing entitles the Corporation to a preferred return on its investment.

3. Properties

(in thousands)	Rental Properties	Hotels	Other Property, Plant and Equipment	Total 1980	Total 1979
Buildings, including construction in progress, at cost	$416,906	62,582	7,362	**486,850**	490,342
Furnishings, equipment and machinery, at cost	5,047	11,767	11,582	**28,396**	29,500
	421,953	74,349	18,944	**515,246**	519,842
Less accumulated depreciation	37,007	6,017	8,069	**51,093**	46,910
	384,946	68,332	10,875	**464,153**	472,932
Land, at cost	65,152	3,030	403	**68,585**	73,908
Total	$450,098	71,362	11,278	**532,738**	546,840

4. Land held for sale and development

(in thousands)	1980	1979
Balance at beginning of year	**$156,949**	125,975
Additions during year:		
Acquisitions	**31,262**	39,386
Development costs	**10,150**	8,011
Carrying charges	**25,490**	15,311
	66,902	62,708
	223,851	188,683
Deductions during year:		
Cost of sales	**22,310**	17,775
Transferred to work-in-progress	**5,096**	13,959
	27,406	31,734
Balance at end of year	**$196,445**	156,949

In connection with the expropriation by the Province of Quebec of property at Mont Bruno, Quebec the Corporation was awarded $4,208,000 plus interest, which approximates the net carrying value of this property. The Corporation has appealed this award and, in the opinion of management, ultimate proceeds on settlement will exceed the carrying value. Accordingly, this transaction has not been recognized in the accounts. A deposit of $3,500,000 has been received by the Corporation and is included in Advances Relating to Land and Housing.

5. Inventories

(in thousands)	1980	1979
Housing, completed and in progress	$62,035	54,204
Lumber and building products	10,856	11,718
Office condominiums	3,520	—
Food and beverage	1,108	840
	$77,519	66,762

Inventories are valued at the lower of cost and estimated net realizable value.

6. Amounts receivable

(in thousands)	1980	1979
Notes, mortgages and agreements for sale, interest bearing	$53,412	34,924
Trade accounts, rents and other receivables	22,716	23,521
Due from joint ventures	8,165	14,843
Receivable from officers	5,898	5,079
	$90,191	78,367
Due within one year	$46,825	51,702

Amounts receivable from officers include house mortgage loans and secured advances under the Stock Purchase Plan.

7. Other assets

(in thousands)	1980	1979
Marketable securities, at cost (quoted value $31,388)	$33,622	—
Prepaid expenses	927	1,304
Deposits	5,699	526
Hotel linen, tableware and uniforms	2,019	1,769
Miscellaneous	965	726
	$43,232	4,325

8. Deferred charges

(in thousands)	1980	1979
Unamortized foreign exchange translation differences	$ 1,300	3,790
Unamortized discount and expenses on issue of long-term debt	5,539	5,476
Unamortized hotel costs	1,368	2,393
Other	1,965	1,457
	$10,172	13,116

9. Long-term debt

(in thousands)	Average interest rates at December 31 1980	Total 1980	Total 1979
Debt secured by:			
Rental properties and hotels:			
6¼% to 13¼% mortgages, loans and bonds	9.33%	$183,344	218,304
First Mortgage Sinking Fund Bonds	11.18	147,235	147,713
Bank income debenture	12.54	63,475	64,163
Amount due under financing arrangement	10.31	38,000	38,000
Bank loans	19.53	44,734	25,012
General Mortgage Bonds	11.00	21,200	21,800
Land held for sale and development:			
6% to 22% mortgage loans	11.95	40,798	35,890
Bank loans	20.43	43,872	25,163
Bank General Security Package:			
Bank income debenture	11.54	30,499	30,499
Bank loans	20.50	5,969	5,833
Other:			
Convertible notes payable	6.63	1,272	1,908
Sundry loans and notes	13.82	7,299	4,299
	12.14%	$627,697	618,584

Balances at December 31, 1980 are due as follows:

(in thousands)		Instalment Payments	Balance due at maturity	Total
	1981	$9,523	46,599	56,122
	1982	6,992	58,016	65,008
	1983	6,318	99,393	105,711
	1984	5,938	43,424	49,362
	1985	4,841	4,484	9,325
subsequent to	1985	—	—	342,169
				$627,697

10. General bank indebtedness

Short-term bank loans, as well as some long-term bank loans, are secured by the Bank General Security Package which includes a general assignment of certain book debts and a fixed charge on various properties and land owned by the Corporation.

11. Capital Stock

The authorized and issued capital stock of the Corporation at December 31, 1980 is as follows:

	Authorized	Issued and Outstanding	(in thousands) 1980	1979
Second Preference Shares	1,000,000	1,000,000	$ **200**	200
Series A Preference Shares	20,000,000	1,480,000	**7,400**	7,600
Class A Common Shares	282,638	—	—	—
Common Shares	10,000,000	3,996,954	**12,158**	11,005
			$19,758	18,805

Second Preference Shares
There are 1,000,000 3% non-cumulative, redeemable preference shares authorized and outstanding, with a par value of $.20 each entitling the holder to ten votes per share.

Series A Preference Shares
There are 20,000,000 non-voting Preference Shares authorized with a par value of $5 per share, issuable in series, of which 1,600,000 were designated Series A Preference Shares. These Series A Preference Shares carry a fixed cumulative dividend of 7% and are redeemable at any time at the option of the Corporation or, after December 1, 1987, at the option of the holder. There were 1,480,000 Series A Preference Shares outstanding at December 31, 1980. During 1980, 40,000 shares were purchased for cancellation for a cash consideration of $180,000.

Class A Common Shares
There are 282,638 Class A Common Shares authorized with a par value of $7 per share, redeemable at the option of the Corporation or the holder at any time at a redemption price equal to $7 per share plus all declared and unpaid dividends thereon. These Class A Common Shares are reserved for issuance on conversion of the convertible notes payable.

During 1980, 141,319 Class A Common Shares were issued on conversion of a convertible note payable having a face amount of $635,936. The premium on conversion in the amount of $353,287 was charged to retained earnings.

There are two remaining convertible notes payable in the amount of $635,936 each (aggregating $1,271,872) convertible in series into 141,319 (aggregating 282,638) Class A Common Shares of the Corporation after January 1 of each of the years 1981 and 1982. The conversion feature for all of the notes expires upon maturity.

Common Shares
There are 10,000,000 authorized Common Shares without par value of which 3,996,954 were issued and outstanding at December 31, 1980 (1979–3,935,956 shares). During 1980, 90,000 shares were issued for a cash consideration of $1,235,000 and 29,002 shares purchased for cancellation for a cash consideration of $438,506.

12. Segmented information

In the opinion of management, the Corporation operates primarily in three industry segments: properties, land and housing. The property segment includes the development, operation and management of retail, office and industrial space and residential apartments. The land segment includes the development and sale of land. The housing segment includes the development and sale of highrise condominiums and single family housing.

The Corporation does business in two geographic segments which are Canada and the United States of America.

Segmented information for the year ended December 31, 1980 is as follows:

(in thousands)	Properties	Land	Housing	Other	Consolidated 1980	Consolidated 1979
Segment revenue						
Canada	$90,819	14,888	70,859	70,606	**247,172**	219,868
United States	2,642	19,902	—	—	**22,544**	22,224
	$93,461	34,790	70,859	70,606	**269,716**	242,092
Segment operating profit						
Canada	$51,932	2,477	11,770	2,524	**68,703**	58,365
United States	2,124	7,084	—	—	**9,208**	9,114
	$54,056	9,561	11,770	2,524	**77,911**	67,479
Gain on sale of rental properties					**6,068**	1,101
General corporate expenses					**(7,479)**	(6,026)
Financing					**(53,373)**	(47,579)
Income taxes – deferred					**(8,600)**	(10,174)
Earnings before extraordinary item					**$ 14,527**	4,801
Identifiable assets						
Canada	$423,640	113,306	14,728	173,703	**725,377**	714,373
United States	57,537	116,258	51,125	—	**224,920**	151,986
	$481,177	229,564	65,853	173,703	**950,297**	866,359
***Capital expenditures**						
Canada	$23,103	13,267	20,761	3,896	**61,027**	83,968
United States	9,916	53,635	45,897	—	**109,448**	115,183
	$33,019	66,902	66,658	3,896	**170,475**	199,151
Depreciation and amortization						
Canada	$4,416	—	34	4,791	**9,241**	7,117
United States	293	—	—	—	**293**	248
	$4,709	—	34	4,791	**9,534**	7,365

The segment headed "Other", as shown above, is made up of the following Canadian operations:

(in thousands)	Hotels	Lumber and Building Products	Miscellaneous	Total 1980	Total 1979
Segment revenue	$42,490	25,868	2,248	**70,606**	64,682
Segment operating profit	$ 2,627	(1,482)	1,379	**2,524**	3,379
Identifiable assets	$77,943	23,414	72,346	**173,703**	137,501
Capital expenditures	$ 788	2,137	971	**3,896**	2,517
Depreciation and amortization	$ 2,597	735	1,459	**4,791**	3,459

*Capital expenditures include amounts capitalized to land and housing inventories, a portion of which is in this year's cost of sales of those operations.

13. Income taxes

(a) The effective rate of income tax provided in the Consolidated Statement of Earnings varies from the rates specified in the taxing statutes primarily because income debenture interest and certain gains on the disposition of rental properties and foreign exchange losses have been excluded in the determination of net income for income tax purposes.

(b) The Corporation has received income tax reassessments from the Minister of National Revenue whereby certain capital gains related to a rental property, converted to a condominium, have been reassessed as ordinary income. The Corporation has filed Notices of Objection to these reassessments and both the Corporation and its legal counsel are of the opinion that the Corporation is likely to succeed in its appeal.

(c) The Corporation has a capital loss carry-forward in the approximate amount of $12,000,000 on which deferred income taxes have not been recognized. This loss may be carried forward indefinitely to reduce future capital gains and the potential benefit will be reflected in earnings when realized. At current rates of tax this unrecorded deferred income tax benefit amounts to approximately $3,000,000.

14. Extraordinary item

(in thousands)	1980	1979
Excess of insurance proceeds over net book value of assets destroyed by fire	$ —	1,800

15. Commitments

The Corporation has entered into various lease commitments with remaining terms running to 87 years. Certain of these leases have escalation clauses requiring adjustments to rent at various dates based on the market value of the property or other factors. The aggregate minimum rentals payable under such leases amount to approximately $49,924,000 and those that are payable within the the next five years will aggregate approximately $7,227,000.

The Corporation has an unfunded liability with respect to past service pension cost of approximately $3,100,000 at December 31, 1980.This amount is being charged to earnings over the years to 1993.

16. Related party transactions

During the year, a partnership, owned 50% by the Corporation and 50% by a company in which the Chairman of the Board of Directors and Chief Executive Officer of the Corporation owns 50%, purchased management services from the Corporation for $325,000.

17. Statutory information

Interest charged against earnings, on indebtedness initially incurred for a term of more than one year, amounted to $51,137,000 (1979 – $43,420,000).

The aggregate direct remuneration paid by the Corporation to directors and senior officers as defined in the Business Corporations Act (Ontario) was $1,578,362 (1979 – $1,148,122) of which the directors in their capacity as directors received $72,250 (1979 – $79,675).

18. Comparative figures

Certain 1979 comparative figures have been reclassified to conform with the 1980 presentation.

Five-year Consolidated Financial Review

	1980	1979	1978	1977	1976
Balance Sheet					
Assets					
Properties	**$532,738**	546,840	477,070	422,962	332,604
Land held for sale and development	**196,445**	156,949	125,975	86,732	74,831
Inventories	**77,519**	66,762	59,502	66,479	73,519
Other	**143,595**	95,808	57,805	44,610	63,845
	950,297	866,359	720,352	620,783	544,799
Liabilities					
Long-term debt	**627,697**	618,584	534,046	434,771	344,192
General bank indebtedness	**108,198**	51,346	31,032	36,080	36,628
Advances relating to land and housing	**70,819**	69,646	42,036	40,787	37,654
Accounts payable and accrued liabilities	**34,583**	39,462	41,501	42,683	33,427
Deferred income taxes	**56, 022**	47,422	36,749	33,048	35,422
	897,319	826,460	685,364	587,369	487,323
Shareholders' Equity	**52,978**	39,899	34,988	33,414	57,476
	$950,297	866,359	720,352	620,783	544,799
Statement of Earnings					
Revenue					
Rental properties	**$ 93,461**	80,944	73,396	56,096	52,693
Land	**34,790**	26,308	14,021	7,311	7,369
Housing	**70,859**	70,158	54,069	58,999	65,694
Other	**70,606**	64,682	67,683	47,398	47,845
	269,716	242,092	209,169	169,804	173,601
Expenses					
Rental properties	**39,405**	30,920	25,456	20,134	17,921
Land	**25,229**	18,170	10,552	3,726	3,909
Housing	**59,089**	61,808	55,967	57,949	58,095
Other	**60,408**	56,843	61,837	43,572	44,778
Financing	**53,373**	47,579	43,702	36,075	33,816
General and administrative	**15,153**	12,898	8,623	7,033	6,919
	252,657	228,218	206,137	168,489	165,438
	17,059	13,874	3,032	1,315	8,163
Gain on sale of rental properties	**6,068**	1,101	725	—	—
Earnings before income taxes and extraordinary items	**23,127**	14,975	3,757	1,315	8,163
Income taxes	**8,600**	10,174	3,234	(1,174)	2,573
Earnings before extraordinary items	**14,527**	4,801	523	2,489	5,590
Extraordinary items	—	1,800	—	680	(1,363)
Earnings for the period	**$ 14,527**	6,601	523	3,169	4,227
Per share					
Before extraordinary items	**$ 3.53**	1.09	—	0.28	0.73
After extraordinary items	**$ 3.53**	1.55	—	0.38	0.53
Cash Flow from Operations					
Cash provided from operations	**$ 34,210**	24,098	11,817	9,481	12,488
Per share	**$ 8.50**	6.01	3.09	1.31	1.72

Corporate Directory

Directors

David S. Beatty
President,
Beatinvest Limited
Toronto

***Robert Campeau**
Chairman of the Board and
Chief Executive Officer,
Campeau Corporation

***William J. Carroll**
Executive Vice-President,
Finance,
Campeau Corporation

André Charron, Q.C.
President,
Lévesque, Beaubien Inc.
Montreal

†**Robert Després**
Chairman,
Atomic Energy of Canada
Limited

***David King**
Executive Vice-President,
Campeau Corporation

***Ronald B. McCartney**
President,
Campeau Corporation

Alan M. Mann, M.D.
Psychiatrist-in-Chief,
Montreal General Hospital
Montreal

†**François Mercier, Q.C.**
Partner,
Stikeman, Elliott, Tamaki,
Mercier and Robb
Montreal

***Jean C. Paradis**
Deputy Chairman,
Campeau Corporation

†**Frank Stronach**
Chairman and
Chief Executive Officer,
Magna International Inc.
Toronto

Officers

Robert Campeau
Chairman of the Board and
Chief Executive Officer

Jean C. Paradis
Deputy Chairman

Ronald B. McCartney
President

David King
Executive Vice-President

William J. Carroll
Executive Vice-President,
Finance

J. Pierre Benoit
Senior Vice-President,
Housing and Land
Development

Clément Cadieux
Senior Vice-President,
Special Projects

Timothy J. Walker
Senior Vice-President,
Treasurer

Douglas A. Beggs
Vice-President,
Comptroller

Raymond M. Chevrier
Vice-President,
Construction Administration

Bruno Chiricota
Vice-President,
Forestry Operations

Kenneth V. Cooper
Vice-President,
Commercial Development,
U.S. Southwest

Donald J. Cresswell
Vice-President,
Secretary and
General Counsel

Jean-Marie Gaudreault
Vice-President,
Project Planning

Raymond M. Larocque
Vice-President,
Building Products

Donald McMaster
Vice-President,
Construction Management

Lenard B. McQuarrie
Vice-President,
Land Development,
California

Grant Sedgwick
Vice-President,
Commercial Development,
U.S. West

John Van Haastrecht
Vice-President,
Commercial Development,
Eastern Canada

Roland Villemaire
Vice-President,
Accounting

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Calgary
Edmonton
San Francisco
Santa Clara
Newport Beach
West Palm Beach
Houston
Dallas

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Campeau Corporation California
Campeau Corporation Florida
Campeau Corporation Texas

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Royal Trust Corporation
of Canada
Montreal, Toronto

Registrar
Guaranty Trust Company
of Canada
Montreal, Toronto

*Member of Executive Committee
†Member of Audit Committee

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